

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 DEAE-00 CIAE-00 INR-07 IO-13
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R 100948Z JUN 77

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 3078

WHITE HOUSE

INFO USDA WASHDC

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DEPT. FOR EA AND S/NM MS. FALCO

WHITE HOUSE FOR DR. PETER BOURNE

E.O. 11652: NA

TAGS: SNAR, TH

SUBJ: PROSPECTS FOR PRODUCTION AND MARKETING OF THAI COFFEE AS
SUBSTITUTE CROP FOR OPIUM

1. AT AMBASSADOR WHITEHOUSE'S REQUEST M.P. BOHREN, OF NESTLE'S
BKK OFFICE, AND P.L. DROZ, MANAGER OF THAI SOLUBLE COFFEE
CO., LTD. (A NESTLE'S SUBSIDIARY), CALLED AT THE EMBASSY
JUN 9 FOR AN EXTENDED DISCUSSION OF THE CURRENT COFFEE SITUA-
TION IN THAILAND AND THE PROSPECTS OF PRODUCTION IN THE HILL-
TRIBES AREA IN THE NORTH. THE AMBASSADOR MADE IT CLEAR THAT
THE EMBASSY'S CONCERN WAS IN PROMOTING THE PRODUCTION OF
COFFEE BY THE HILLTRIBES AS AN ALTERNATIVE TO PRODUCTION OF
OPIUM, AS THESE GROUPS HAVE DONE FOR CENTURIES. AMBASSADOR
NOTED THAT EMBASSY AND NESTLE'S HAD DIFFERENCT MOTIVES FOR,
BUT COMMON INTEREST IN SEEING HILLTRIBES INCREASE CULTIVATION
AND PRODUCTION OF COFFEE.

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2. NESTLE'S ESTIMATED THAI COFFEE PRODUCTION AT BETWEEN
1500 AND 2000 TONS ANNUALLY, MAILY IN SOUTHERN THAILAND.
THAI COFFEE CONSUMPTION IS AROUND 13,000 TONS, BUT THIS
"COFFEE" IS HEAVILY ADULTERATED WITH FLAVORING AND FILLED
OUT FURTHER WITH BARLEY AND OTHER GRAINS. FOR ITS OWN
OPERATIONS AND TO SATISFY DOMESTIC CONSUMPTION, NESTLE'S

BELIEVES THAT THERE IS PRESENTLY A MARKET IN THAILAND FOR A CONSIDERABLY INCREASED PRODUCTION OF COFFEE. BEYOND THAT, NESTLE'S BELIEVES THAT THE COFFEE MARKET IN HONG KONG AND JAPAN MIGHT ALSO HANDLE THAI COFFEE. FOR ITS OWN PART NESTLE'S IN THAILAND USES THAI COFFEE, SUPPLEMENTED BY IMPORTS FROM SUMATRA AND JAVA.

3. NESTLE'S HAS EMPLOYED A VARIETY OF INCENTIVES, INCLUDING A GUARANTEED PRICE TO THE PRODUCER, TO ENCOURAGE GREATER PRODUCTION OF COFFEE IN THAILAND, BUT WITH NO NOTICEABLE RESULTS TO DATE. PART OF THE PROBLEM IS THAT INCREASED COFFEE PRICES WORLDWIDE HAVE INTENSIFIED THE EFFORTS OF COFFEE MERCHANTS IN SINGAPORE TO BUY THAI COFFEE, BUT THAI GROWERS TEND TO FEAR THAT THE PRESENT COFFEE PRICE IS ARTIFICIALLY HIGH AND WILL DECLINE WHEN BRAZIL RESUMES ITS NORMAL PRODUCTION.

4. ON THE MARKETING OF COFFEE IN THAILAND, NESTLE'S HAS FOUND IT NECESSARY TO DEAL WITH CHINESE MERCHANTS WHO BUY SMALL QUANTITIES OF COFFEE FROM SMALL-HOLDER PRODUCERS, CONCENTRATE THEM IN LARGER LOTS, AND THEN MARKET THESE LARGER AMOUNTS IN BANGKOK. THE FIRM HAS ATTEMPTED TO PURCHASE COFFEE DIRECTLY FROM THE PRODUCERS BUT HAS FOUND THIS DIFFICULT AND, ON THE WHOLE, IMPRACTICAL. AT THIS POINT NESTLE'S IS NOT RPT NOT PREPARED TO BUILD A BASIC ORGANIZATION FOR PURCHASING COFFEE IN THAILAND.

5. NESTLE'S IS PREPARED TO CONTINUE AND PERHAPS TO EXPAND SOMEWHAT ITS TECHNICAL ASSISTANCE TO GROWERS IN LIMITED OFFICIAL USE

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THAILAND TO PROMOTE COFFEE PRODUCTION BY HILLTRIBE PRODUCERS IN THE NORTH BUT IS NOT RPT NOT PREPARED TO MAKE A MAJOR EFFORT IN THIS DIRECTION. AMBASSADOR NOTED THE SLOWNESS OF THAI BUREAUCRACY IN DEVELOPING PROGRAM TO PROMOTE EXTENSION OF RESEARCH INTO CROPS SUCH AS COFFEE WHICH MIGHT BE GROWN BY HILLTRIBES INSTEAD OF OPIUM.

6. COMMENT: THERE IS CLEARLY A MARKET IN THAILAND FOR ALL COFFEE PRODUCED WITHIN THE COUNTRY AND, AT THIS LEVEL, AN ADEQUATE, IF INFORMAL, PURCHASING ORGANIZATION. THE THAI DEMAND FOR COFFEE IS GROWING, AND IF THE HILLTRIBES CAN BE ENCOURAGED TO PRODUCE MORE COFFEE, EITHER BY RTG EFFORTS OR IN RESPONSE TO STIMULUS OF HIGH COFFEE PRICES, THERE WILL BE A READY MARKET FOR IT.
WHITEHOUSE

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Copy: SINGLE
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